

January 21, 2003

Opening Statement by Congressman Paul E. Gillmor

House Financial Services Committee

Subcommittee on Capital Markets, Insurance and Government Sponsored Enterprises

Hearing to discuss the Office of Federal Housing Enterprise Oversight's (OFEHO) December report on the report of the Special Examination of Freddie Mac

Thank you, Mr. Chairman, for holding this important hearing and for your continued leadership on this issue and the overall topic of reforming the regulatory structure governing Government Sponsored Enterprises (GSEs).

I applaud OFEHO's efforts in conducting this investigation of Freddie Mac's accounting and management failures, resulting in Freddie Mac's \$5 billion restatement of earnings. However, I do have some questions regarding its timing. OFEHO began its investigation only after the management and accounting problems at Freddie Mac became publicly apparent. This does not leave me with great confidence in OFEHO's ability to effectively oversee our GSEs.

I look forward to hearing from Director Falcon on this issue and to further this committee's discussion of pending legislative proposals to improve the regulatory oversight of both Fannie Mae and Freddie Mac. As an original cosponsor of HR 2575, the Secondary Mortgage Market Enterprises Regulatory Improvement Act, I would like to see its prompt consideration by this committee.

In the meantime, I was pleased to see that OFEHO and Freddie Mac have entered into a consent agreement requiring Freddie Mac to pay a civil monetary penalty of \$125 million and make significant internal management and operational changes. The most important aspect of this agreement, in my view, is the formulation of a plan to improve Freddie Mac's public disclosures and regulatory reporting. Freddie Mac and all our housing GSEs are tasked with the responsibility to do a public good and enjoy certain special circumstances in order to accomplish their corresponding goals. Accordingly, they should be accountable to the public in their financial activities.

Thank you again, Mr. Chairman, for bringing us here this morning. I look forward to an informative discussion.